

Message Text

CONFIDENTIAL

PAGE 01 TEHRAN 03918 270436Z
ACTION EB-08

INFO OCT-01 EUR-12 EA-10 NEA-10 ISO-00 SOE-02 AID-05
CEA-01 CIAE-00 COME-00 DODE-00 DOE-15 H-01 INR-10
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11
OES-07 SP-02 SS-15 STR-07 TRSE-00 ACDA-12 /148 W
-----065445 271350Z /64

R 261039Z APR 78
FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC 8008
INFO AMEMBASSY MADRID
AMEMBASSY TOKYO

C O N F I D E N T I A L TEHRAN 3918

E.O. 11652: GDS
TAGS: ENRG EINV IR
SUBJ: KALINGAS LNG PROJECT

1. THE KANGAN LIQUEFIED NATURAL GAS COMPANY (KALINGAS), WHICH HAS ITS ORIGINS IN A 1972 LETTER OF UNDERSTANDING, WAS TRANSFORMED LAST WEEK FROM A CORPORATE ENTITY WITH 7 MEMBERS (NIGC-50 PERCENT; JAPAN KALINGAS-15 PERCENT; CRINAVIS SISTEMAS NAVALES Y CRIOGENICOS-10 PERCENT; HALFDAN DITLEV-SIMONSEN 7.5 PERCENT; ENSERCH-5 PERCENT; NATURAL GAS PIPELINE CO. OF AMERICA-5 PERCENT; INTERNATIONAL SYSTEMS AND CONTROLS-5 PERCENT; AND, CHICAGO BRIDGE AND IRON-2.5 PERCENT) TO ONE WITH 3 (NIGC-82.5 PERCENT; JAPAN KALINGAS-15 PERCENT; AND CBI-2.5 PERCENT). THE SECOND PARTIES WHICH DROPPED OUT ASSIGNED THEIR SHARES TO NIGC AND AS QUID PRO QUO THEY RECEIVED A QUALIFIED COMMITMENT FROM NIGC TO REIMBURSE THEM FOR THEIR PROPORTIONATE SHARE OF THE APPROXIMATELY 50 MILLION DOLLARS ADVANCED BY ALL THE SECOND PARTIES FOR CONFIRMATION AND DEVELOPMENT DRILLING ON THE OFFSHORE PARS FIELD. THE ONLY QUALIFICATION IN NIGC'S OBLIGATION TO REIMBURSE SECOND PARTIES IS THAT

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 TEHRAN 03918 270436Z

SETTLEMENT WILL COME FROM PROCEEDS OF ANY LNG PLANT WHICH MAY BE BUILT WHICH UTILIZES GAS FROM PARS FIELD. REIMBURSEMENT BY NIGC WILL INCLUDE INTEREST OF 1 PERCENT OVER CHICAGO PRIME.

2. THE ISSUE OF WHETHER NIGC WAS LIABLE IN A LEGAL SENSE TO REIMBURSE SECOND PARTIES FOR THE ADVANCES

THEY MADE FOR DRILLING WAS A MURKY ONE AND ADJUDICATION WOULD ALMOST CERTAINLY HAVE BEEN LONG AND COMPLICATED. ACCORDING TO OFFICIALS OF TWO OF THE U.S. SECOND PARTIES, THE SETTLEMENT AGREED TO WAS TOTALLY SATISFACTORY TO ALL. THE COMPROMISE AVOIDED LENGTHY LEGAL CLAIMS AND COUNTER CLAIMS, IT PROTECTS THE FINANCIAL INTERESTS OF THE SECOND PARTIES, IT MAINTAINS AND ENHANCES NIGC'S REPUTATION, AND IT ENABLED NIGC TO JETTISON THOSE FIRMS IN KALINGAS WHICH WERE UNABLE OR UNWILLING TO PROCEED WITH THE IMPLEMENTATION OF A LNG PROJECT ON MUTUALLY ACCEPTABLE TERMS.

3. THE EMBASSY, BASED ON ITS DISCUSSIONS WITH OFFICIALS OF NIGC, KALINGAS, AND THE JAPANESE EMBASSY, IS CONFIDENT THAT A 400 MILLION SCF/DAY LNG PLANT TO SUPPLY JAPAN WILL BE BUILT; AND, WE PREDICT (WITH ONLY A FEW RESERVATIONS) THAT CONTRACTS FOR CONSTRUCTION WILL BE AWARDED BY THE END OF THIS YEAR.

4. ALTHOUGH ONE WOULD EXPECT THAT THE CRINAVIS PROPOSAL TO FINANCE AND BUILD A BARGE MOUNTED LIQUIFACTION PLANT IS DEAD (SINCE CRINAVIS IS NOW OUT OF KALINGAS), WE ARE INFORMED THAT NIGC DID NOT FORECLOSE ITS OPTIONS. APPARENTLY, CRINAVIS ASKED TO BE ALLOWED TO CONTINUE TO TRY TO PUT TOGETHER

CONFIDENTIAL

PAGE 03 TEHRAN 03918 270436Z

A DEAL FOR A THIRD LNG PLANT (COUNTING "JAPAN KALINGAS" AND MOSS ROSENBERG/COLUMBIA GAS PROJECTS AS ONE AND TWO). AND NIGC REPORTEDLY NEITHER SAID NO NOR ENCOURAGED CRINAVIS. THE EMBASSY BELIEVES THAT THE CRINAVIS PROPOSAL IS SUCH A LONG SHOT THAT IT CAN BE FORGOTTEN-- AT LEAST FOR THE NEXT YEAR OR TWO.

SULLIVAN

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LPG, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 26 apr 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978TEHRAN03918
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780180-0288
Format: TEL
From: TEHRAN
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780413/aaaaakhh.tel
Line Count: 101
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 5552bda6-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: ONLY
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 31 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2836854
Secure: OPEN
Status: NATIVE
Subject: KALINGAS LNG PROJECT
TAGS: ENRG, EINV, IR
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/5552bda6-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014